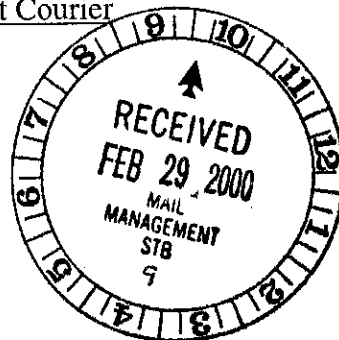


February 28, 2000

By Overnight Courier

Surface Transportation Board  
Office of the Secretary  
Case Control Unit  
1925 K Street N.W.  
Washington, D.C. 20423-0001  
Attn: STB Ex Parte No. 582



**Re: Ex Parte No. 582: MidAmerican Energy Company Written Statement**

Dear Sir or Madam:

MidAmerican Energy Company ("MidAmerican") hereby submits in accordance with the Surface Transportation Board's ("STB") February 16, 2000 Decision in STB Ex Parte No. 582 (the "February 16 Decision") an Original and ten (10) copies of MidAmerican's Written Comments. Also enclosed is a 3.5-inch IBM-compatible floppy diskette (convertible into WorkPerfect 7.0 format). It is expected that Mr. Paul E. Freund, Vice President Fuel Trading and Transportation will speak on behalf of MidAmerican at the Hearing on March 9, 2000.

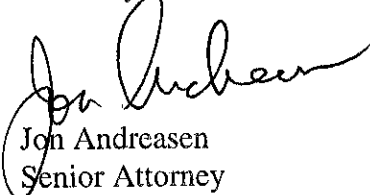
Any communications to MidAmerican relating to STB Ex Parte No. 582 should be directed to the following:

MidAmerican Energy Company  
Attention: Jon Andreasen  
666 Grand Avenue  
800 Ruan Center  
Des Moines, Iowa 50309  
Phone: (515) 281-2642  
Facsimile: (515) 242-4398  
E-Mail: jaandreasen@midamerican.com

MidAmerican Energy Company  
Attention: Paul Freund  
106 East Second Street  
Davenport, IA 52801  
Phone: (319) 333-8131  
Facsimile: (319) 333-8696  
E-mail: pefreund@midamerican.com

Please contact me if you have any questions.

Sincerely,

  
Jon Andreasen  
Senior Attorney

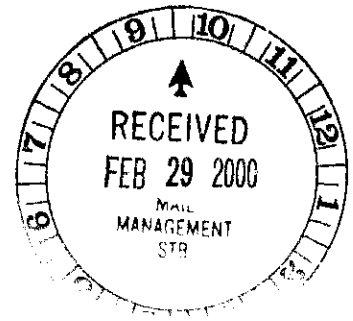
Enclosure

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Office of the Secretary

FEB 29 2000

Public Record



SURFACE TRANSPORTATION BOARD  
EX PARTE NO. 582

WRITTEN COMMENTS OF MIDAMERICAN ENERGY COMPANY

I. INTRODUCTION.

My name is Paul Freund and I am the Vice President Fuel Trading and Transportation of MidAmerican Energy Company ("MidAmerican"). MidAmerican appreciates the opportunity to participate in this public hearing conducted by the Surface Transportation Board ("STB" or "Board") in relation to major rail consolidations. MidAmerican is participating because we believe the result of this public hearing and The Burlington Northern Sante Fe Railway Company ("BNSF") and the Canadian National Railway Company, Grand Trunk Western Railroad Incorporated, and Illinois Central Railroad Company (collectively, "CN") proceeding (the "BNSF/CN Proceeding") will have a significant impact on the rail industry and on the shippers who utilize and rely on rail transportation in their business. MidAmerican urges the STB to carefully scrutinize any further proposed major rail consolidations and realize that its ultimate decision will not only impact the consolidating railroads and the shippers on their systems, but will have an effect on the future structure of the railroad industry and an impact on competition and service on a national and North American scale.

While I assume the Board is generally familiar with MidAmerican as a result of the *Bottleneck Decision*,<sup>1</sup> the following is a brief summary. MidAmerican is a public utility headquartered in Des Moines, Iowa that provides service to 653,000 electric customers and 622,000 natural gas customers in Iowa, Illinois, South Dakota and Nebraska.

MidAmerican meets the needs of its electric customers with approximately 4,400 megawatts of generating capacity – 65% of which is generated using coal. MidAmerican purchases almost all its coal from the Powder River Basin in Wyoming. MidAmerican purchases and transports over 12 million tons of coal per year (spending over \$80 million annually on rail transportation) from mines in Wyoming to the generating plants it operates in Iowa. MidAmerican transports the coal it purchases in unit train movements in MidAmerican owned or leased railcars. The coal is delivered under contracts with the railroads entered into pursuant to 49 U.S.C. Section 10709. Like other generators of electricity who utilize coal to produce electricity, timely delivery of coal is critical to meeting the electric needs of our customers and competing in the electric energy business.

MidAmerican is a wholly owned subsidiary of MidAmerican Energy Holdings Company (“MidAmerican Holdings”), also headquartered in Des Moines, Iowa. MidAmerican Holdings is a global leader in the production, supply and distribution of energy from diversified fuel sources, including geothermal, natural gas, hydroelectric, nuclear and coal. MidAmerican Holdings is a leader in the supply and distribution of energy in the

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<sup>1</sup>*MidAmerican Energy Company v. Union Pacific Railroad Company, et al.*, STB Docket No. 41626, served December 31, 1996.

rapidly deregulating consumer markets in the United States and in the United Kingdom – with more than 3.3 million customers worldwide.

## II. IMPACT OF MAJOR RAIL CONSOLIDATIONS ON RATES AND SERVICE

MidAmerican has first-hand knowledge and experience relating to the impact that major rail mergers have had on transportation service and generally believes they have resulted in less competition with no appreciable improvement to cycle times and service.

### A. Competition.

MidAmerican has, over the past 15 years, been very active in attempting to obtain competitive rail rates for transportation to its generating stations. As the Board is aware, MidAmerican was a party in the Bottleneck case in which MidAmerican attempted to obtain competition over all but a minor portion of the coal transportation movement from Wyoming coal mines to the Neal Generating Station (“Neal”) near Sioux City, Iowa. At one time, MidAmerican had the option to be able to use two carriers for the Neal movement from Wyoming to Council Bluffs and thus was able to obtain benefits of competition over that segment of the movement. However, as a result of the merger of the Union Pacific Railroad Company (“UP”) and the Chicago and Northwestern Transportation Company (“CNW”) in 1995, Neal became captive to the UP. MidAmerican believes that the UP/CNW merger resulted in eliminating an option previously available to it and resulted in less competition for transportation to Neal.

MidAmerican also constructed the CBEC Railway rail line that provides competitive rail access to its Council Bluffs Energy Center (“Council Bluffs”), located near Council Bluffs, Iowa. Council Bluffs was captive to the BNSF until the new rail line was completed in 1997, thereby giving MidAmerican an option to use the UP. Lower rates have resulted from MidAmerican’s construction of the CBEC Railway rail line. MidAmerican believes that where competition exists, the shipper is able to obtain more competitive rates and service.

B. Railroad Service Problems.

MidAmerican has also seen the direct impact that the merger between the UP and the Southern Pacific Railroad Company (“SP”) had on railroad services. MidAmerican suffered significant financial losses as a result of the service crisis emanating from the UP/SP merger. The cycle times for all railroads serving MidAmerican and the overall service provided were severely impaired. As a result, MidAmerican was required to change the way it operated its generating stations and ultimately was forced to shut down a 515 MW generating station (Neal 3) for 41 days in late 1997 and early 1998. Not only was service to MidAmerican’s plants served by the UP impacted, but the service crisis affected MidAmerican’s generating stations served by other carriers. MidAmerican’s supply of coal was drastically reduced at all of its generating stations as a result of this service crisis. It took approximately one and one half years from the height of the UP service crisis for MidAmerican to recover and to return to its normal coal inventories. The other recent major rail consolidation also resulted in service problems and instability – although there was no direct effect on MidAmerican.

MidAmerican would ask the STB to ensure that any future major rail consolidations do not result in any service interruptions, delays or problems.

Currently, service by the railroads is within acceptable performance criteria as measured by current contracts. We are pleased with current service levels. However, MidAmerican believes the major railroads should be taking actions to continue to improve the efficiency and stability of railroad service. MidAmerican is concerned that additional consolidation among the major railroads will impair progress on service-related initiatives.

C. Further Consolidations

MidAmerican is also concerned that if the STB permits the consolidation between the BNSF/CN (or a consolidation among any of the remaining major railroads) it will inevitably lead to a merger of two or more of the remaining major railroads. If a consolidation occurs, competitive forces will drive the remaining major railroads to explore consolidations and attempt to merge in order to avoid losing competitive leverage. As such, the STB must not only consider the impact of consolidation that may be before it, but also consider the consolidation that is likely to occur as a response. MidAmerican is concerned that additional consolidations will divert attention from the important policy goals of competition and improving railroad service.

### III. SUMMARY

MidAmerican believes the Board should exercise extraordinary caution when it reviews any new major rail carrier merger or consolidation proposal. As a shipper that relies on timely and competitive service from the railroads, MidAmerican is concerned that additional consolidations may negatively impact its ability to provide service in an efficient and competitive manner to its customers. At this time, the Board is at a dangerous crossing with lights flashing and bells ringing. MidAmerican asks the Board to stop, look and listen. Your decision to allow or not to allow further consolidation will have significant consequences on shippers, shipper customers and the public. MidAmerican asks the Board to be cautious in the analysis and the determination it will make in future major rail consolidation proceedings.

This completes my statement. I appreciate the opportunity to discuss these matters and to share MidAmerican's views with you and would gladly address any questions. Thank you.